COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING AND PUBLIC MEETING
BEFORE THE COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, 2/29/00
9:35 a.m.

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BILL NO. 000006 - An Ordinance amending Chapter 19-1500 of The Philadelphia Code, entitled "Wage and Net Profits Tax," by decreasing the rates of the tax.
BILL NO. 000010 - An Ordinance amending Chapter 19-2600 of The Philadelphia Code, entitled "Business Privilege Taxes," by decreasing the rates of the tax based upon gross receipts.

PRESENT: COUNCIL PRESIDENT ANNA C. VERNA, Chair

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VINCENT VARALLO ASSOCIATES, INC.
Registered Professional Reporters
Eleven Penn Center, Suite 600
Philadelphia, PA 19103
(215) 561-2220

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NANCY KAMMERDEINER, Revenue Commissioner 3

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P R O C E E D I N G S

COUNCIL PRESIDENT VERNA: Good morning, everyone. This is a continued public hearing of the Committee of the Whole on the operating budget and tax bills. This morning we are going to hear from the Administration regarding tax bill measures.

Who will be testifying?

Oh, I'm sorry would Mr. McPherson read the titles of Bill Nos. 006 and 010.

MR. MCPHERSON: Bill No. 6, an ordinance amending Chapter 19-1500 of the Philadelphia Code, entitled "Wage and Net Profits Tax," by decreasing the rate of the tax.

Bill No. 10, an ordinance amending Chapter 19-2600 of the Philadelphia Code, entitled "Business Privilege Taxes," by decreasing the rates of the tax based upon gross receipts.

COUNCIL PRESIDENT VERNA: Good morning. Kindly identify yourself for the record and proceed with your testimony.

COMMISSIONER KAMMERDEINER: Good morning. Good morning, Council President Verna and Members of City Council. My name is Nancy

Kammerdeiner, and I'm the Revenue Commissioner for the City of Philadelphia. With me are Linda Orfanelli, Acting Director of Finance; and Rob Dubow, Budget Director. We're here today to testify in support of these two tax rate reduction bills, Bills No. 6 and 10.

First let me address Bill No. 00006. This bill reduces the tax rates of the wage and net profits taxes to 3.0635 percent for residents. Since residents also pay the 1.5 percent PICA tax, this results in a total tax of 4.5635 percent. The bill also reduces the rate to 3.9672 percent for nonresidents working in the City. These rate changes will be effective on and after July 1, 2000 for the wage tax and on and after January 1, 2000 for the net profits tax. The difference in effective dates for these rate changes is necessary because the net profits tax is filed annually for the calendar year, and a mid-year tax rate change would require significant record keeping changes that would be onerous for the taxpayer. This is the sixth in a series of reductions in these taxes since 1995. If approved this rate reduction would bring the cumulative

percentage to 8 percent, and the cumulative dollar reduction to $328.8 million. There's a chart in my written testimony that details the rate changes that have already taken place and those that are proposed for the five-year financial plan that is before you for your consideration.

With regard to Bill No. 000010, this bill reduces the tax rate of the gross receipts portion of the business privilege tax to 2.525 mills or .2525 percent for the tax year 2001 and thereafter. As with the wage and net profits taxes, this is the sixth in a series of reductions in this tax since 1995. If approved, this sixth rounds of reductions would bring the cumulative percentage decrease to 22.3 percent for the gross receipts portion and 10.7 percent for the total tax burden. This represents a cumulative reduction in BPT of $123.1 million. Again, there's a chart included with my written testimony that details the rate reductions that have taken place so far and those that are proposed for the balance of the five-year plan.

The City's tax rate reduction program which was implemented in 1996 was intended to

reverse the devastating trend of tax increases that had existed in the City for previous four decades. The impact of these tax increases was documented in a 1987 study by Professor Robert Inman of the Wharton School. He found that the City's wage tax alone was responsible for an estimated 60 percent of the City's total job loss between 1965 an 1985, as many as 100,000 jobs. Despite the tax rate reductions that have already taken place, Philadelphia remains the highest taxed in the five-county area and one of the highest taxed throughout the country. This gap is narrowing as a result of the rate reductions that have taken place. And a follow-up study from Dr. Inman helps confirm that.

I should note, however, that the study that he did in 1998 that's further referenced in the written testimony only looked at real-estate tax, wage or income tax, and the local sales tax. He didn't include either the personal property tax which was eliminated here in Philadelphia during the period included in his study, and he also did not include the realty transfer tax in that study.

In order to close the tax burden gap

between Philadelphia and other jurisdictions, it's imperative that the City build on gains of last several years and continue the tax rate reductions implemented in each of the past five fiscal years. Therefore, we request your favorable consideration of both bills that are before you at this time to assist in continuing to close that gap.

We would be happy to answer any questions that you might have on either of these bills.

COUNCIL PRESIDENT VERNA: Thank you very much, Commissioner. Are there any questions from members of the Committee?

(No questions.)

COUNCIL PRESIDENT VERNA: Thank you very much.

COMMISSIONER KAMMERDEINER: Thank you.

COUNCIL PRESIDENT VERNA: I would just like to remind members of the committee that at 1:30 today we have public testimony on the operating budget and we also have hearings from 6 to 8 this evening, public testimony on the operating budget. Thank you all very much. We will stand in recess until 1:30 this afternoon.

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Thank you.

(Adjourned at 9:43 a.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of February 29, 2000, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COUNCIL COMMITTEE OF THE WHOLE
BILL NOS. 000006 and 000010

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JOSEPHINE CARDILLO,
Registered Professional Reporter